

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Great Oaks Water Company (U 162-W) for an Order authorizing it to increase rates for water service for its total service area by \$2,811,000 or 35.5% in the year 2003; by \$978,000 or 9.0% in the year 2004; and by \$978,000 or 9.0% in the year 2005; and by \$978,000 or 9.0% in the year 2006.

Application 02-11-048
(Filed November 27, 2002)

OPINION APPROVING COUNTY PARK PROJECT**1. Summary**

Pursuant to the limited rehearing of Decision (D.) 03-12-039 granted by D.04-03-043, this decision approves Great Oaks Water Company's (Great Oaks) County Park Project, a maximum of \$ 448,280.90 for Test Year (TY) 2003, subject to Great Oaks filing an advice letter deviation.

2. Background

Great Oaks filed its General Rate Case (GRC) application for the total company on November 27, 2002. In D.03-12-039, we authorized a revenue increase for total company operations in 2003 and 2004 and approved two projects. We declined to approve the cost of the County Park Project, because there was insufficient information. Great Oaks requested rehearing on three issues, including the County Park Project, and D.03-12-039 granted limited rehearing on the project to further develop and clarify the record.

Great Oaks filed its Supplemental Exhibit Concerning County Park Project and Supporting Declaration of Alan J. Gardner on April 7, 2004, and the Office of Ratepayer Advocates' (ORA) filed its Response in support of the project on April 14, 2004. By April 21, 2004 e-mail, ORA stipulated to admitting Great Oaks' Supplemental Exhibit into evidence, provided additional information on ORA's position concerning the Supplemental Exhibit, and requested on behalf of itself and Great Oaks that the April 22, 2004 hearing be taken off calendar. In an April 26, 2004 administrative law judge (ALJ) ruling, that hearing was taken off calendar and the April 7, 2004 Supplemental Exhibit was admitted into evidence as Exhibit 31.

3. Discussion

The County Park Project, for which Great Oaks originally requested \$525,000 for TY 2003 only, is a main extension with three pipeline segments, 2,000 linear feet of pipeline estimated at \$300,000, 800-900 linear feet of pipeline that will serve an office building, hotel, and sports complex estimated at \$75,000, and a connection from an existing underground main estimated at \$150,000. Great Oaks states that the project will provide fire protection for the development and also increased volume and pressure, reducing a supply deficit, friction loss, and pumping pressure.

In the GRC proceeding, the amount the developer would contribute to the project was unclear. In its application, Great Oaks stated the developer would pay approximately \$90,000 of the \$150,000 estimate for the third portion. Exhibit 30 states the developer would contribute \$90,000.

In this rehearing proceeding, Exhibit 31 clarifies the agreement between the developer, McCandless Companies (McCandless), and Great Oaks. Great Oaks approached McCandless approximately four years ago to request an

easement to construct a portion of the County Park Project across McCandless' property, which was then unimproved. Great Oaks estimated the value of the easement across the McCandless property at approximately \$80,000 to \$90,000. The project did not go forward at that time.

In 2002, when Great Oaks revisited the project, Great Oaks learned McCandless was planning to develop a hotel and office building on its property and would require a main extension to serve them. In a March 8, 2002 letter agreement McCandless granted an easement across its property, and agreed to pay 50 percent of the cost of the main and domestic services as a nonrefundable contribution. McCandless also agreed to pay for all hydrants and fire services, to obtain at its cost work permits, and to provide at its cost all surveying and staking.

McCandless transferred the easement and paid Great Oaks \$71,171.10 for the main extension, including the water main, domestic services, and two fire hydrants. The final cost of the project was \$519,452. After deduction of McCandless' contribution, the net cost of the project is \$448,280.90. ORA conducted an on-site visit on March 31, 2004 and confirmed the project is complete and in service.

ORA finds the project reasonable and recommends that it be authorized by the Commission. ORA recognizes the use of a letter agreement is a deviation from normal Commission procedure. However, for the limited purpose of ORA's recommendation of approval of the County Park Project and without establishing any precedent or implied endorsement of the practice, ORA does not object to the use of this letter agreement.

We approve the County Park Project, \$ 448,280.90 for TY 2003, subject to Great Oaks filing an advice letter deviation. As noted by ORA, the letter

agreement deviates from normal Commission procedure. General Order 96-A provides that all non-standard contracts and agreed upon deviations from rates be filed with us and that a notation be added to the tariff sheet that lists "Contracts and Deviations" and describes the contract or non-standard rate. Thus we require Great Oaks to file an advice letter deviation.

4. Assignment of Proceeding

Geoffrey F. Brown is the Assigned Commissioner and Janice Grau is the assigned ALJ in this proceeding.

5. Comments on Draft Decision

This is an uncontested matter. Accordingly, pursuant to Pub. Util. Code § 311(g)(3), the 30-day period for public review and comment does not apply.

Findings of Fact

1. The County Park Project, for which Great Oaks originally requested \$525,000 for TY 2003 only, is a main extension with three pipeline segments, 2,000 linear feet of pipeline, 800-900 linear feet of pipeline that will serve an office building, hotel, and sports complex, and a connection from an existing underground main.
2. Great Oaks and McCandless entered into a letter agreement on March 8, 2002 concerning the third portion of the project.
3. Pursuant to the letter agreement, McCandless transferred an easement across its property and paid Great Oaks \$71,171.70 for the main extension.
4. The County Park Project is complete and in service and its final cost including the amount paid by McCandless is \$519,452.
5. General Order 96-A provides that all non-standard contracts and agreed upon deviations from rates be filed with us.

Conclusions of Law

1. The March 8, 2002 letter agreement is a deviation from Commission procedure.
2. This decision should be made effective immediately to allow Great Oaks an opportunity to file an advice letter deviation for approval of the County Park Project.

O R D E R

IT IS ORDERED that:

1. Great Oaks Water Company is authorized to file an advice letter deviation seeking Commission authorization for a rate offset for the costs of the County Park Project, a maximum of \$448,280.90 for Test Year 2003.
2. Application 02-11-048 is closed.

This order is effective today.

Dated, _____ 2004, at San Francisco, California.